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## **INTRODUCTION**

The Office of Internal Audit performed an audit of Tuscola/Huron County DHS for the period April 1, 2004 through June 9, 2005. The objectives of our audit were to determine if internal controls in place at the district office provide reasonable assurance that departmental assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of the Department of Human Services (DHS) are being followed. Tuscola/Huron County DHS had 45 and 23 full time equated positions (FTE's) respectively at the time of our review. Tuscola/Huron Counties provided assistance to an average 8,209 recipients per month during FY 2004, with total assistance payments of \$9,730,215 during that year.

## **SCOPE**

Our audit was performed in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We obtained descriptions of significant systems operating at the Ogemaw/Roscommon County, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. We included the following systems:

|                               |                              |
|-------------------------------|------------------------------|
| Cash Receipts                 | State Emergency Relief       |
| Cash Disbursements            | Children Protective Services |
| Safe and Controlled Documents | Procurement Cards            |
| CMIS/ASSIST                   | Client Processing            |
| Payroll and Timekeeping       | Employment Support Services  |
| General Ledger                | Balance Sheet                |

## **EXECUTIVE SUMMARY**

Based on our audit, we conclude that the Tuscola/Huron County's internal controls need improvement in order to provide management with reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization. We found several instances of noncompliance with DHS policies and procedures and weaknesses in internal controls, which are detailed below.

## **LOCAL OFFICE RESPONSE**

The management of Tuscola/Huron County DHS has reviewed all findings and recommendations included in this report. They indicated in a memo dated July 26, 2005 that they are in general agreement with the findings and recommendations in this report and have taken corrective action for all items.

## **FINDINGS AND RECOMMENDATIONS**

### **Tuscola County DHS**

#### **Cash Receipts**

##### **Mail Opening**

1. Tuscola County DHS had one employee pick the mail up at the post office in an unlocked bag. The Primary Internal Control Criteria for DHS Local/District Office Operations states that one employee should pick up the mail in a secure bag from the post office. Having a locked bag ensures the safeguarding of any negotiables.

WE RECOMMEND that Tuscola County DHS have one person pick up the mail in a locked bag from the post office.

## **Cash Disbursements**

### **Authorized Check Signers**

2. Tuscola County DHS had the fiscal clerk as an authorized employee to sign checks on the signature card on file with the bank. The fiscal clerk has access to blank checks and processes payments. Accounting Manual Item 410.1 states that for internal control purposes, the person responsible for check signing should be an employee who is independent of the check processing function and does not have access to blank checks.

WE RECOMMEND that Tuscola County DHS update the signature card at the bank to designate another employee to sign checks in the event the check signer malfunctions.

## **CIMS/ASSIST Security**

### **CIMS Security Agreements**

3. Tuscola County DHS did not have accurate, up-to-date CIMS Security Agreements (DHS-3974A) on file for 15 out of 40 employees who access the Client Information Management System (CIMS), as required by L-Letter 97-063. Two employees had a status code indicated on the DHS-3974A that did not agree with the current status code listed on the Operator Identification Report (PF-011). An accurately completed Security Agreement is necessary to document that the employee understands the responsibilities associated with their CIMS access, and that the supervisor approves the level of CIMS access.

WE RECOMMEND that Tuscola County DHS ensure that all employees who have access to CIMS have an accurate, up-to-date Security Agreement on file.

#### ASSIST Enrollment Profiles and ASSIST Security Agreements

4. Tuscola County DHS did not have accurate, up-to-date ASSIST Enrollment Profiles (DHS-3720) and ASSIST Security Agreements (DHS-3721) on file for all employees as required by L-Letter 97-156. One out of 43 employees did not have a DHS-3720 on file, 8 employees did not have a DHS-3721 on file, and one employee did not have job types listed on the DHS-3721.

WE RECOMMEND that Tuscola County DHS ensure that accurate, up-to-date Enrollment Profiles (DHS-3720's) and Security Agreements (DHS-3721) are on file for all employees who have access to ASSIST.

#### Incompatible Job Types

5. Tuscola County DHS did not properly separate the duties of case registration and opening/reopening among the staff. The Social Services Program Manager (SSPM), the Data Coding Operator, the Word Processing Assistant, and one Family Independence Specialist (FIS) had Job Types of (ES) 240, (FIS) 270 (FIM) 280 and Registration (360) capabilities on ASSIST. The Primary Internal Control Criteria for Local/District Offices states that no one person shall have 240/270/280 and 360/370 job types. This would allow that person to register a case and perform file maintenance on the case.

WE RECOMMEND that Tuscola County DHS ensure that its employees do not have incompatible job types on ASSIST.

#### Reconciliation of the MA-010 Report- Reconciler Not Independent

6. The Tuscola County DHS Social Services Program Manager reconciles the MA-010 report for ampersand transactions and a random sample of case openings/warrant re-

writes. The Manager also has registration and file maintenance capabilities on ASSIST, and CRS status on CIMS, which would allow him to register cases, perform file maintenance to generate payments, and then reconcile those transactions. The Primary Internal Control Criteria states that someone who is a non-operator should reconcile the MA-010 report.

WE RECOMMEND that Tuscola County DHS have a non-operator reconcile the MA-010 report.

#### Back Up Tapes

7. Tuscola County DHS did not maintain backup tapes for its Novell and Windows server at an off-site location. The Primary Internal Control for Local/District Offices states that backup tapes for all systems should be stored in an off-site secure location that protects from loss, theft, fire, or water damage.

WE RECOMMEND that Tuscola County DHS maintain off site storage for system backup tapes.

#### **Payroll and Timekeeping**

##### Reconciliation of HR-332A (B) Turnaround Report

8. Tuscola County DHS did not reconcile the turnaround HR-332A to the original HR-332A report a week after payroll was run. The Primary Internal Control Criteria for Local/District Office Operations recommends that the local office reconcile the turnaround report to verify that the actual time reported agrees with the time that was originally submitted.

WE RECOMMEND that the Tuscola County DHS reconcile the turnaround HR-332A report to the original HR-332A report.

#### Certifier Not Independent

9. The Tuscola County DHS employee who certifies the payroll is also listed on the TKU, which allows the employee to certify his own time. For internal control purposes the person who certifies the payroll should not be on the TKU.

WE RECOMMEND that Tuscola County DHS report the certifier's time on a different TKU.

#### **Direct Support Services**

##### Missing Documentation-(DHS-4749)

10. Tuscola County DHS did not prepare the Support Services Determination Form (DHS-4749) for 4 out of the 7 cases reviewed for Direct Supportive Services (DSS). The Program Eligibility Manual Item 232 states that the client must complete a DHS-4749 for all DSS services.

WE RECOMMEND that Tuscola County DHS obtain the appropriate case file documentation to support all Direct Supportive Services expenditures.

#### **Children's Protective Services**

##### Missing Forms

11. Tuscola County DHS did not prepare an Investigation Summary (DHS-154) and a Needs and Strengths Assessment (DHS-153) for one case, or Services Agreements (DHS-151) for two cases. Children's Protective Services Manual CFP-712 states that



the services packet is to contain the DHS-154, DHS-153 and DHS-151. Properly documenting services provided will help ensure that cases with children at risk are being properly monitored, and appropriate services are being provided when needed.

WE RECOMMEND that Tuscola County DHS complete the required forms for all CPS cases.

## **Huron County DHS**

### **Balance Sheet**

#### **Accounts Receivable Due from State**

12. Huron County DHS did not reconcile the Accounts Receivable Due from State Accounts listed on the Balance Sheet to the detail in the pending file for the 078-036 account. Accounting Manual Item 402-3 requires a monthly reconciliation of accounts receivable due from State to be performed. Reconciling the Due from State accounts to the detail ensures that the account balances are correct and all transactions are accounted for.

WE RECOMMEND that Huron County DHS reconcile the Accounts Receivable Due from State 036 account.

### **Cash Receipts**

#### **Mail Opening**

13. Huron County DHS had one employee pick the mail up at the post office in an unlocked bag. The Primary Internal Control Criteria for DHS Local/District Office Operations states that one employee should pick up the mail in a secure bag from the post office. Having a locked bag ensures the safeguarding of any negotiables.

WE RECOMMEND that Huron County DHS have one person pick up the mail in a locked bag from the post office.

### **Payroll and Timekeeping**

#### **Reconciliation of HR-332A (B) Turnaround Report**

14. Huron County DHS did not reconcile the turnaround HR-332A to the original HR-332A report a week after payroll was run. The Primary Internal Control Criteria for Local/District Office Operations recommends that the local office reconcile the turnaround report to verify that the actual time reported agrees with the time that was originally submitted.

WE RECOMMEND that the Huron County DHS reconcile the turnaround HR-332A report to the original HR-332A report.

Note: The payroll has been reconciled for 2 pay periods. This process began while the auditor was on site.

#### **Certifier Not Independent**

15. The Huron County DHS employee who certifies the payroll is also listed on the TKU, which allows the employee to certify their own time. For internal control purposes the person who certifies the payroll should not be on the TKU.

WE RECOMMEND that Huron County DHS report the certifier's time on a different TKU.

## **Procurement Card**

### **Procurement Card Transaction Log**

16. Huron County DHS did not have the procurement cardholder record the purchase on the Procurement Card Transaction Log. Instead, the fiscal clerk who verifies the receipt of goods prepares the log when the Transaction Detail Report is received in the office. The Primary Internal Control Criteria for Local/District Offices states that each card purchase should be posted to the Procurement Card Transaction Log by the cardholder, and supported by a receipt. Having the cardholder post the purchase to the procurement card log will ensure proper separation of duties.

WE RECOMMEND that Huron County DHS require the procurement cardholder to post card purchases to the Procurement Card Transaction Log.

## **CIMS/ASSIST/LASR Security**

### **Conflicting CIMS Status and Job Duties**

17. The fiscal clerk at Huron County DHS had (CRS) status on the Client Information Management System (CIMS). The fiscal clerk is reconciling the Supplemental Payments on the MA-010 report and handling all cash disbursements. The fiscal clerk should be assigned inquiry status only (INQ) as recommended by the Primary Internal Control Criteria for Local/District Offices. Having CRS status will allow the fiscal clerk to authorize payments for client cases and process those payments without an independent review.

WE RECOMMEND that Huron County DHS change the fiscal clerk's status from CRS to INQ on CIMS.

Security Officers Log Report (PD-180), (VB9-173), (VB9-163), and (LR-853)

18. The Huron County DHS Security Officer did not reconcile the PD-180 against the CIMS Security Agreements (DHS-3974A), the VB9-173 against the ASSIST Enrollment Profiles (DHS-3720) or the LASR Security Officers Report (LR-853) against the LASR User Request Forms (LR-84) as required by The Primary Internal Control Criteria for Local/District Offices. Reconciliation of these reports ensures that all changes made are accurate and approved by supervision.

WE RECOMMEND that Huron County DHS reconcile the PD-180, VB9-173, and the LR-853 reports to the revised Security Agreements, Enrollment Profiles and LASR User Access Requests.

**Direct Support Services**

Missing Documentation

19. Huron County DHS did not have complete information for 4 out of the 9 cases reviewed for Direct Supportive Services. One case was missing a Support Services/Determination Form (DHS-4749), 3 cases were missing valid driver's licenses, and one case was missing proof of ownership for a vehicle repair. Program Eligibility Manual Item 232 states that the customer must have a valid drivers license, proof of ownership and a DHS-4749 on file for vehicle purchases and repairs.

WE RECOMMEND that Huron County DHS obtain the appropriate case file documentation to support all Direct Supportive Services payments.